AUSA's Institute of Land Warfare

Presents

A

on

"Global Supply Chain"
A Panel Discussion

VADM Keith W. Lippert, SC USN
Director
Defense Logistics Agency

"Logistics: Transforming While in the Fight"

- **PANEL DISCUSSION: Global Supply Chain**
  - Where have we seen improvements?
  - Where do we still need to improve?
- **PANEL MEMBERS:**
  - **VADM Keith Lippert:** Director, Defense Logistics Agency
  - **MG (R) Terry E. Juskowiak:** 47th Quartermaster General of the Army
  - **Mr. Eric Peltz:** Director - Military Logistics Program, RAND Corporation
  - **CDR Scott Griffea:** Director - ILS, Naval Inventory Control Point
- **PANEL REMARKS**
- **OPEN DISCUSSION…Q&A with the Audience**

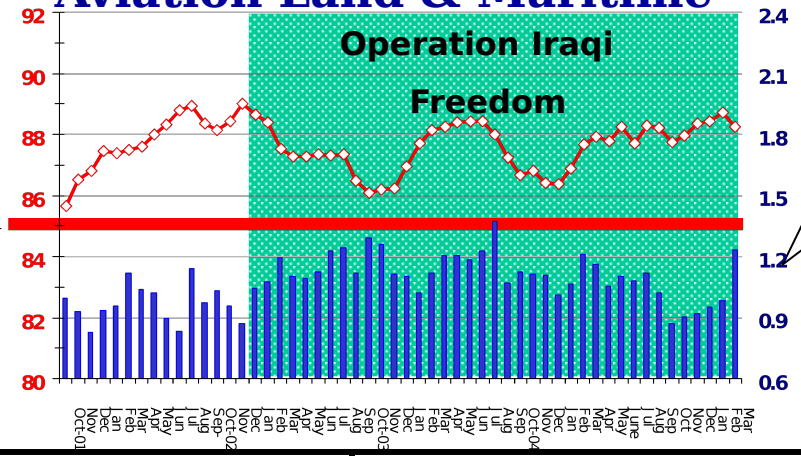
The Global Supply Chain… from DLA's Perspective

- **Where have we achieved improvements?**
  - Overall Agency performance
  - Cost reductions
  - Information technology
  - Standards of contracts
  - Distribution depot performance
  - Human Capital transformation

Agency Performance

The Warfighter 's metrics

Material Availability Aviation Land & Maritime



DOD Availability

Goal: 85%

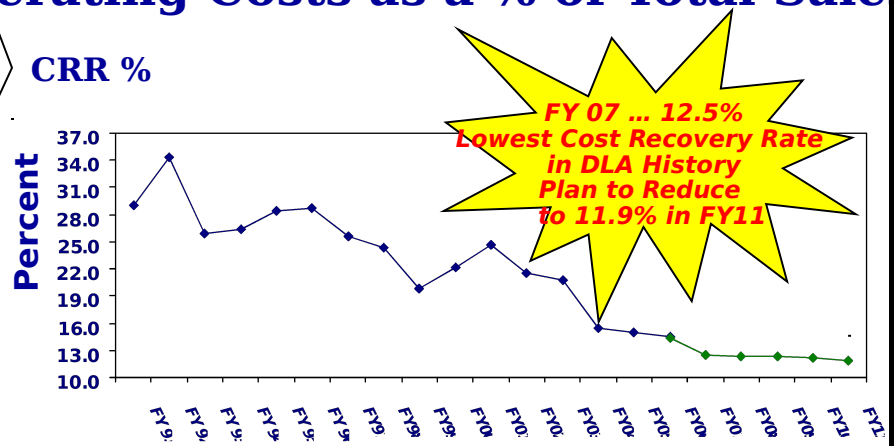
Is the materiel requested available for on time delivery?

How much does it cost to do business with DLA?

How well is DLA doing in accelerating delivery of backorders?

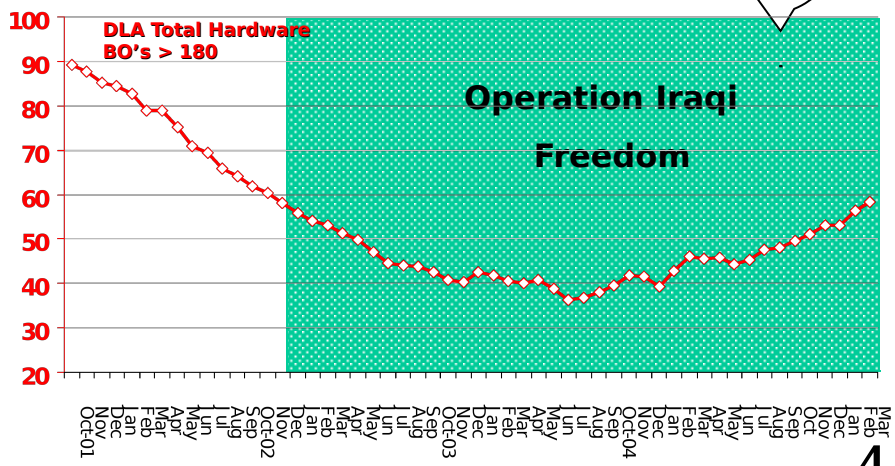
Cost Recovery Rates Over Time Operating Costs as a % of Total Sales

CRR %



Backorders>180 Days Aviation, Land, Maritime

Thousands



Business Systems Modernization (BSM)

- **Enterprise Resource Planning (ERP) to manage the agency's 5.2 million items**
  - **Replaces numerous '60s & '70s vintage systems with single, Commercial-Off-the-Shelf (COTS) system**
  - **Processes re-engineered to best practices**
  - **Cycle times dramatically reduced**
  - **Savings in inventory and personnel**
    - **payback period 2009**
  - **Improved war fighter support**
    - **Joint interoperability**
    - **Better Demand Forecasting – by customer – through collaboration**
  - **Improved data integrity**
  - **"Clean Financial Opinion" in accordance with CFO Act**
- **Full-scale deployment underway…complete SEP 06**

Supplier Relationship Management (SRM)

- **Strategic Material Sourcing (SMS)**
  - **DLA manages 5.2 million items**
  - **~500,000 items are the agency's major business drivers**
  - **Goal: assured availability, cost & quality for business drivers**
- **Strategy**
  - **Leverage competition**
  - **Develop long-term contracts**
  - **Establish prime vendor relationships**
  - **Establish corporate contracts**
  - **Buy capability rather than stock for surge requirements**
  - **Minimize procurement cost drivers**

SRM (cont'd)

- **Strategic Supplier Alliances (SSA)**
  - **– Partnering initiatives with 29 top suppliers that are the sole source for materiel critical to America's defense posture**
  - **– Goal: assured availability, cost & quality for this critical materiel**
- **Strategy**
  - **– Negotiated, signed agreements between DLA and suppliers to collaborate to pursue common objectives**
  - **– Specific, quantifiable objectives – number of items managed under the SSA, Administrative Lead Time, Procurement Lead Time, Quality**

Defense Distribution Center (DDC) Performance Summary

R = 11.4%
Y = 4.5%

March 2003

Center	DDC	DDAA	DDAG	DDBC	DDCN	DDCO	DDCT	DDDC	DDDE	DDHU	DDJC	DDJF	DDNV	DDOO	DDPH	DDPW	DDRT	DDRV	DDSP	DDTP	DDWG	DDYJ
HI-PRI MROs	Y	G	R	R	G	R	G	R	G	G	G	G	G	G	G	G	G	R	R	G	G	G
ROUTINE MROs	R	G	G	G	G	G	G	R	G	G	G	G	G	G	G	G	G	R	R	G	G	G
NEW PROC RECPTS	G	G	G	G	G	G	G	Y	G	G	G	G	G	Y	G	G	G	G	G	G	G	G
CUST RET RECPTS	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	Y	G	G	G

Y = 2.3%

March 2006

Center	DDC	DDAA	DDAG	DDBC	DDCN	DDCO	DDCT	DDDC	DDDE	DDHU	DDJC	DDJF	DDNV	DDOO	DDPH	DDPW	DDRT	DDRV	DDSP	DDTP	DDWG	DDYJ
HI-PRI MROs	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G
ROUTINE MROs	G	G	Y	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G
NEW PROC RECPTS	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	Y	G
CUST RET RECPTS	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G	G

Goals: Hi-Pri MROs (1 Day), Routine MROs (1 Day), New Proc Rcpts (1 Day), Cust Ret Rcpts (3 Days)

DDC Inventory Accuracy
Baseline vs. Current

BASELINE
2nd QTR FY 03

G = 39%
Y = 27%
R = 34%

Expectation	Cat A	Cat B	Cat C	Cat D
Kuwait				
Mapping				
Albany	96%	87%	91%	88%
Barstow	96%	94%	96%	86%
Europe	100%	98%	98%	99%
Korea				
Guam				
Pearl Harbor	99%	95%	96%	97%
Puget Sound	100%	96%	99%	97%
Red River	98%	97%	97%	97%
Sigonella				
Yokosuka	100%	99%	98%	99%
Oklahoma	96%	93%	94%	92%
Columbus	99%	91%	90%	95%
San Joaquin	98%	91%	90%	75%
Hill	95%	87%	91%	91%
Jacksonville	94%	87%	91%	87%
San Diego	95%	96%	96%	95%
Cherry Point	94%	82%	93%	89%
Anniston	98%	93%	97%	90%
Norfolk	96%	86%	93%	90%
Tobyhanna	95%	95%	98%	96%
Susquehanna	92%	94%	93%	86%
Warner Robins	93%	82%	91%	86%
Richmond	97%	77%	93%	95%
Corpus Christi	95%	99%	99%	96%
DDC	96%	91%	92%	91%

CATEGORY A:
- goal = 99%
- unit price > $1000

CATEGORY B:
- goal = 95%
- U/I not equal to "EA"

-OR-

- OH balance > 50 **AND**
- extended $ value < $50K

-OR-

- activity > 50

CATEGORY C:
- goal = 95%
- OH balance < 50 **AND**
- date of last INV>24 months

CATEGORY D:
- goal = 95%
- all others

G = 79%
Y = 10%
R = 15%

CURRENT

Expectation	Cat A	Cat B	Cat C	Cat D
Kuwait				
Mapping	N/A	98%	95%	100%
Albany	100%	99%	99%	98%
Barstow	99%	98%	99%	100%
Europe	100%	99%	100%	100%
Korea	100%	100%	100%	100%
Guam	100%	100%	100%	100%
Pearl Harbor	100%	96%	100%	99%
Puget Sound	99%	99%	98%	97%
Red River	99%	97%	98%	98%
Sigonella	100%	99%	100%	98%
Yokosuka	100%	99%	100%	100%
Oklahoma	94%	97%	100%	99%
Columbus	100%	99%	100%	99%
San Joaquin	99%	97%	96%	95%
Hill	97%	95%	95%	99%
Jacksonville	96%	97%	97%	96%
San Diego	99%	90%	96%	92%
Cherry Point	94%	94%	95%	93%
Anniston	97%	90%	92%	95%
Norfolk	99%	98%	99%	97%
Tobyhanna	97%	98%	97%	99%
Susquehanna	97%	94%	93%	95%
Warner Robins	96%	83%	86%	95%
Richmond	95%	86%	92%	90%
Corpus Christi	85%	90%	91%	91%
DDC	97%	95%	94%	96%

Transforming Human Capital

- **Central focus of Strategic Plan, Balanced Score, Business Plan and Transformation Roadmap**
- **Tracked in all senior leaders forums**
- **Climate/culture measured quantitatively & qualitatively**
  - **Assessed against commercial industry standards**
  - **Agency wide action plans in place, regularly tracked**
- **Leadership (SES to supervisor) performance evaluations directly linked to Human Capital transformation**

There's Room for Improvement in …

- **Asset visibility**
- **Joint coordination**
  - *At the national & tactical level*
- **Our ability to forecast customer's requirements**
- **Our responsiveness to the Industrial Base**
  - *Lean Six Sigma*

Logistics: Transforming While in the Fight

Global Supply Chain Panel

Remarks:

- **Major General (R) Terry E. Juskowiak**
- **Mr. Eric Peltz**
- **Commander Scott Griffea**